



Decision on slow demand response and proxy demand resources proposal

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Tariff revisions are necessary to operationalize slow demand response resources for local needs

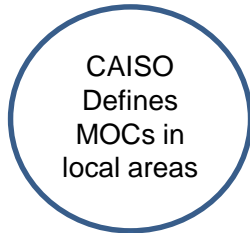
- To meet local RA needs, resources must either:
 - Be able to respond within 20 minutes following a contingency event, or
 - Have availability to be dispatched frequently on a pre-contingency basis
- In 2016, proposed BPM revision would require resource availability within 20 minutes to qualify as local RA
 - Impacted demand response resources without the flexibility or capability to respond within 20 minute notification
 - Appeal made by multiple demand response stakeholders was granted by the ISO executive appeals committee

Management developed a methodology to pre-contingency dispatch slow DR resources.

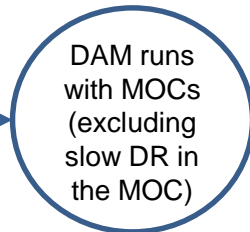
- New process for pre-contingency dispatch developed through CPUC and ISO stakeholder processes
 - CPUC DR supply-side working group, resource adequacy enhancements, and proxy demand resource RA clarifications initiatives
 - Settlement of pre-contingency dispatch requires new tariff provision and board approval
- CPUC counts slow demand response resources as local RA
- Management agreed not to procure backstop for local RA deficiencies related to slow demand response until a solution was implemented

Pre-contingency dispatch solution for slow demand response leverages minimum online commitment tool

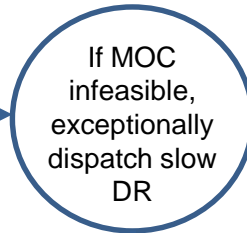
Pre-Day-Ahead Market



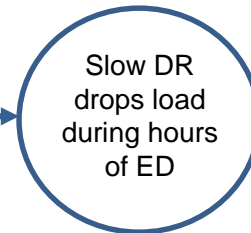
Day-Ahead Market



Post-DAM/Prior to the Operating Day



Operating Day



Tariff changes are needed to enable the slow demand response pre-contingency exceptional dispatch solution.

- Current tariff authority is limited to real-time energy settlement of exceptional dispatches
- Management proposes new methodology for energy settlement of exceptional dispatch of slow demand response prior to the operating day
 - Energy settled at the maximum of the resources day-ahead bid price or applicable real-time locational marginal price

The pre-contingency dispatch solution will apply starting with the 2021 resource adequacy compliance year

- CPUC “credits” utility demand response programs as resource adequacy and does not require them to be shown on resource adequacy plans
 - Crediting means demand response not subject to ISO RA tariff provisions like all other RA resources
 - Solution can only operationalize demand response resources shown on supply plans
 - After a cure period, the ISO will procure additional resources through its backstop authority if there are insufficient resources shown on RA supply plans to meet local area capacity needs

Stakeholder support is dependent on the impact this solution has on the CPUC's DR RA crediting practice

- No stakeholders commented on the initiatives proposed settlement of pre-contingency dispatch
- Stakeholders generally supportive of the pre-contingency dispatch solution including supply plan submission requirement
 - DMM commented on broader concerns about the cumulative effect of energy-limited or availability-limited resources relied upon to meet resource adequacy requirements
- SCE, SDG&E, and PG&E oppose showing of demand response programs on supply plans

Management recommends the Board approve the proposed settlement provisions for pre-contingency exceptional dispatch of slow demand response.

- Provides new provisions to settle exceptional dispatches of slow demand response at the higher of the day-ahead market bid price and the real time fifteen minute locational marginal price
- Allows slow demand response to be dispatched and settled on a pre-contingency basis for local RA qualification
 - in compliance with NERC standards
- Satisfies the 2016 BPM appeals committee decision deferring implementation of PRR 854